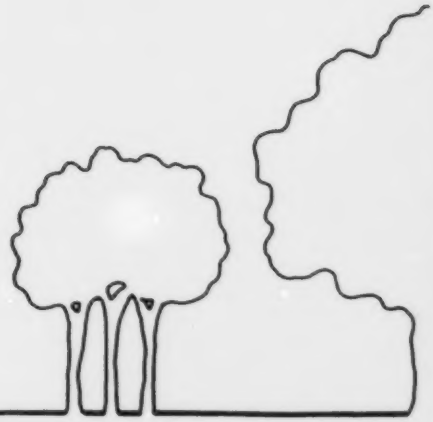
**The Report of the Management of Government Initiative**

# Enhancing Organizational Capacity



**Prince Edward Island Cabinet Committee on Government Reform**

# ENHANCING ORGANIZATIONAL CAPACITY

*The Report of the*
***MANAGEMENT OF GOVERNMENT INITIATIVE***

To
The Cabinet Committee on Government Reform

January, 1992

## LETTER OF TRANSMITTAL

January 21, 1992

Hon. Joseph A. Ghiz, Premier
Chairman of the Cabinet Committee
on Government Reform
P. O. Box 2000
Charlottetown, PEI C1A 7N8

Dear Sir:

We are pleased to submit the final report of the Management of Government Initiative.

These are challenging times to be in government. We have appreciated the opportunity to take part in the challenge by reviewing the role which management processes play in our government on PEI. Our report seeks to build on our strengths, and they are many. Ample evidence of this fact is to be found in the hundreds of public servants who contributed positively and meaningfully to the committee's work.

Your committee acknowledges with appreciation all of these efforts. They have significantly influenced the final product. A special thanks is due the chairpersons, members and staff resources of the sub-committees who devoted long hours to examining in detail issues of particular relevance to the committee's work. Mr. Wayne McMillan and Ms. Sandy Matheson of your staff did much of the research and co-ordination for the committee's efforts. Their diligent efforts and support are gratefully acknowledged. Appreciation is also due Mr. Alan Moore of the Office of the Auditor General who assisted the committee during the research phase of its work.

While we have listened carefully and reflect much of what we heard, we remain responsible for the final product. It seeks to set forward meaningful and achievable directions and structures based on the evolving needs of a modern government.

We remain anxious to assist as appropriate in the implementation of this report.

Yours very truly,

Kenneth F. DesRoches, Chairperson

Mary Lynn Arsenault, Member

William Harper, Member

Marie MacDonald, Member

Gary MacLeod, Member

Brian Moriarity, Member

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# REPORT OF
# THE MANAGEMENT OF GOVERNMENT INITIATIVE

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## THEMES TO LOOK FOR

- ***Change***: people want to see it happen, be involved in it
- ***'The System'***: don't blame it: it's workable; change is achievable
- ***Leadership is key***: a vision plus quality people to motivate, challenge and direct
- ***Sensible analysis***: thoughtfully examine what government does and what it wants to achieve
- ***Human Resources***: priority investment
- ***Corporate view***: big-picture, whole-organization thinking
- ***Empowerment***: give people freedom and the tools to do their best

## MAIN POINTS

***What the report says we should do***

| | | |
|---|---|---|
| 1. | ***Planning and Policy*:** | get departments analyzing; make Policy Board work better; Government needs co-ordinated direction of a strategic and intersectoral nature. |
| 2. | ***Program Evaluation*:** | do it. |
| 3. | ***Human Resources*:** | make real plans which include work planning and review; significantly enhance staff development efforts; change recruiting practices; create a distinct jobs unit for employment assistance initiatives. |
| 4. | ***Supply & Services Agency*:** | make a unit of internal support services - audio visual, accommodations, printing, purchasing, maintenance, computer, etc. |
| 5. | ***Budgeting*:** | adjust the process; better link it with strategic policy/planning direction. |
| 6. | ***Revenue*:** | pay more attention to it and make cash management a priority. |
| 7. | ***Expect Management + Leadership*:** | put more responsibility and accountability on managers (especially Deputy Heads) for planning, finances, personnel, and also leadership - vision and chalienge to draw the best from staff. |
| 8. | ***Crown Agencies*:** | set more consistent rules; improve accountability. |
| 9. | ***Cultural Change*:** | nurture public-service attitudes; corporate sense; responsibility to whole government interdependence; across the lines teamwork innovative pragmatism; readiness to give something a try, to see how we can make it work better accountability; through all levels of the organization to ensure effective control |
| 10. | ***Thoughtful Implementation*:** | commit seriously to realistic planning; making it happen takes time, care, training |

## INTRODUCTION

***Background*:**

***GOVERNMENT REFORM***

In 1990, the Government of Prince Edward Island recognized the reality of profound change impacting on its operations. Changes in the economy of the province dictated by global market trends and technological advancement, changes in the nature of federal-provincial relations in Canada as evidenced in constitutional discussions and declining levels of transfer assistance, and changes in the expectations of society for its government: these were combining to provide a dynamic and changing environment. In response, the Cabinet Committee on Government Reform was established to consider the role of government in the 1990s, taking into account the reality of a changing economic and social environment. Government reform is examining organizational structures with a view to improving efficiency and productivity, identifying and reinforcing programs which create wealth, examining relationships with public sector boards and commissions to ensure that accountability and responsibility are clearly identified, and reviewing programs to ensure that services delivered are relevant and will meet future needs.

To address this challenging task the Cabinet Committee, following a process of identifying the issues to be studied, established a number of initiatives including one on Management of Government.

***The Task*: *what this report is meant to do***

***PART OF GOVERNMENT REFORM:***
***MAKE OUR OPERATIONS WORK BETTER***

The Cabinet Committee on Government Reform gave the Management of Government Initiative this assignment:

* To analyze how government -- in its departments and agencies, its systems and processes -- should be organized and managed so as to best achieve the goals which Government sets and the related objectives and functions which are assigned to its components.

The work was to be done in such a way as

* To meaningfully involve those who would be affected and whose efforts would be needed to carry things through.

It should get things started. Beyond its recommendations for direct action, it should yield mechanisms and processes

* To cause change, and help it *continue* to happen in an on-going way toward the goals of more effective management.

The Initiative's detailed terms of reference as prepared by the Cabinet Committee are attached as Appendix A.

***Approach***: ***how the job was done***

***LOTS OF INVOLVEMENT***

A Steering Committee was formed, led by a Deputy Minister, with representation from a range of authority levels and work situations -- from line department, regional office, central agency, union, a successful private business -- to guide the project and put together the overview conclusions.

Next, in order to provide closer analysis, subcommittees were formed and task assignments were given in seven main fields of government management:

- Policy & Planning
- Budget & Finance
- Human Resources
- Government Services
- Senior management/leadership
- Management exclusions from the union
- The roles of crown agencies

Leadership for these assignments was recruited from the Deputy Ministers. This assured profile for the work, and input from the senior level of management. A complete listing of the committees is attached as Appendix B.

In each of these fields there was a considerable amount of reading, study, and external comparison done. Each sub-committee consulted with those affected by its study, and provided broad opportunity for input. A report was prepared, and explained in detail to the Steering Committee.

The Steering Committee then gave more consideration to each topic within the overall context. It formulated preliminary conclusions and recommendations. Then another round of consultations was held to get reaction and further advice. Finally the Steering Committee developed and refined this report.

The most important characteristic of this exercise was the tapping of the Provinces' own talent: over 600 public servants and some non-employee citizens were directly involved in some way -- on the sub-committees, through interviews and surveys. A significant portion of the civil service was made to think seriously about why and how we do things -- challenged to come up with fresh ideas and to contribute to the improvement of the organization of which they are so important a part.

### *GO FOR DO-ABLE CHANGE*

In setting out on such a wide consultation process maximizing involvement, the steering committee was not searching for *THE* Solution. There was instead an idea that the best single result would be to trigger a *process* of change, while developing an attitudinal *openness* to change.

Recommendations would be not grand motherhood wishes, nor a bagful of little particulars, but rather a manageable number of main things which could actually be done to improve management processes within government.

### *POTENTIAL: VERY GOOD*

It is important to say this at the start: chances for improvement are excellent. A major reason for such confidence is that this study, in harnessing the help and ideas of so many staff, has found public servants doing excellent work, many talented people showing a capacity for management, and a lot of positive attitude toward making things work better.

This report should be read from this positive perspective. Its title has been chosen to reflect a fundamental task of management -- using, developing, enhancing the capacity of the organization to achieve results. The title is particularly appropriate in times of restraint, when climbing expectations and diminishing resources cause organizations to focus on productivity, the capacity for results.

## ENVIRONMENT

### *How people are thinking nowadays*

Since this report is based largely on what we heard from those with whom we consulted, it is critical to try and summarize the main messages learned from those who were involved.

#### *'MOVE WITH THE TIMES'*

Most people seem to know and to accept that change is unavoidable and necessary. They know that running organizations is a great deal different now than it was in the 1970s. They know about the impelling realities of technological revolution, environmental consciousness, professionalization, the dictates of the economy. Whether they happen to be personally enthusiastic about it or not, people do appear to be ready to move with the forces for change. They also legitimately expect to be meaningfully involved.

#### *'DO MORE ... WITH LESS'*

There are two popular expectations of government, and they conflict. On one hand, people want more services, more kinds of assistance, more direct government involvement in managing many aspects of society. On the other hand, people demand at the same time that there be no growth in government's size, financial requirements, or intrusiveness.

#### *'NO MORE MONEY'*

Everyone worries about the fiscal squeeze: the perceived need for more expensive activity at the very time when the Province's revenue is shrinking because of a sluggish economy and the federal government's strategies to cope with the national deficit.

#### *'BE BUSINESS-SHARP'*

People believe that government must, in at lease some respects, become more business-like: leaner, more efficient, practical, shaped by financial reality, accountable to the

taxpayers, conscious of consequences, more targeted and clearly directed so as to be really effective at what most needs to be done.

### *'DO IT RIGHT ... IT'S WORTH DOING WELL'*

People believe that in many things, whether certifying the safety of elevators or establishing standards for environmental protection, government's work is solid; it can be relied upon. Paradoxically there has also been a conventional assumption that many things done by government are somehow likely to be sub-standard. Poor workmanship is hardly a fair attribute of government, but wherever it may occur, people are tired of it. They want better, 1990s consumers of any product or service demand good, reliable, quality.

### *'QUIT PIGEON-HOLING'*

The traditional hierarchical structure of government is in up/down channels and compartments. Each segment tends to do its own thing. But that won't do anymore: you can't work in blinkered isolation. You've got to break through the vertical fences and network horizontally, as a team with a whole-issue approach. No more of "Sorry, that's not my department."

### *MANAGE WELL ... BUT ALSO LEAD*

People are demanding astute management: making plans and decisions, allocating resources, organizing things efficiently and effectively to achieve objectives, evaluating actions, taking responsibility for consequences. But leadership is more. Leadership means vision and stimulus to pursue the vision. People want goals and guiding lights to the bigger picture's horizon. They want to be challenged, to have their imaginations and energies charged up, their talent cultivated rather than controlled.

### *'GIVE AWAY POWER – TO STRENGTHEN PEOPLE'*

"Empowerment" is a much-in-vogue word with potent meaning. We have a culture that is too rules-oriented. Hemming people in, it provides safety but stifles risk-taking and creativity. It won't work in the 90s. You can't patronize people, whether your own employees or the consumers of your service. You can't keep telling them 'Just trust me and do as I say'.

True, we all need agreed-on goals, shared values, and guiding directions to follow. But within those, set people free and give them the knowledge, skills, and resources to do things largely on their own with accountability. Give them training, stir up an atmosphere of willingness to take risks, show your faith in them, and then just watch them perform!

### *'GIVE US THE CHANCE TO DO OUR BEST'*

The watch-words of Government Reform, and of this Management of Government Initiative in particular, clearly derive from this outline of environment, the ways people are thinking.

Throughout this report we will see surfacings and re-surfacings of some of these basic ideas: Efficiency and Effectiveness, Quality, Accountability, Corporate Consciousness, Empowerment, Management, and Leadership.

## VISION OF GOVERNMENT

***What is government for? What's it going to be like?***

Any prescription for how an organization should be managed had better start from a premise of what it is, its raison d'etre and role.

### *SMALLER GOVERNMENT*

For the PEI government, we think the role is evolving. We have a sense that government will be getting smaller in several senses:

- having fewer duties and functions, whether by transferring them, getting them done by other agents, or dropping them entirely
- doing things more smartly and simply
- trying to be less of a 'doing-for-you' force in individuals' lives; instead, trying to be an 'empowering' helper, offering the climate and tools with which persons and communities can do things for themselves.
- doing things more indirectly: setting clear and fair rules to guide people, planning and organizing things and seeing to it that they get done, rather than simply doing them.

### *MORE ORCHESTRATOR THAN PLAYER; LESS DOER, MORE LEADER*

Government is not simply a performer of tasks, a provider of services for the populace.

Rather it is like a board-of-directors for a giant provincial co-op, a formal instrument or channel through which society as a large, complex entity can focus its capacities to ...

- determine its collective needs and wishes
- prioritize and plan how to go about pursuing them
- set out rules which will enable things to happen with order and fairness
- organize and form structures, so that efforts can be put together
- provide functions or services where no one else is willing to do it or can do it so well
- put together money and other resources needed to do things
- have leadership, in an overview, balancing way for the great variety of needs and wants within the larger public interest.

The aim of this report is to see how we might make our government, this channel of society's will and efforts, work in a more smoothly managed way to serve these roles.

The report says that government must

- plan the main directions in which it wants to move
- organize itself - in structure, roles and processes - for making that movement happen
- continually be reviewing its operations to see how well it is progressing
- keep thinking about productive change, about doing things better.

## PRINCIPLES FOR GOVERNMENT OPERATION

***What we believe about the 'hows' of government operations***

***A well-managed government is one which***

***THINKS, PLANS, and LEADS***

- has a vision, and communicates it clearly in goals, priorities and strategies
- thinks and acts cohesively, sharing an overall corporate set of beliefs, aims, approaches
- uses policies and standards to guide performance and ensure consistent quality

***ACTS RESPONSIBLY***

- is fiscally responsible, in tune with economic realities, aligning its expenditures with actual resources over the intermediate term
- embraces accountability: assigns responsibility and asks for reported results
- has good management information, familiarity with what it's doing and what's going on
- continually evaluates what it does, determining what are the right things to do and how to do them well ... and acts on the results

***IS PEOPLE-ORIENTED***

- puts prime value on its human resources and fosters high performance
- involves, motivates and challenges those who are affected; keeps responsive to the thinking of both those whom it serves and those whom it employs
- has an atmosphere for intersectoral linkages and teamwork, 'we'-feelings of co-operative interdependence

***IS FLEXIBLE AND DYNAMIC***

- really uses leadership, throughout the organization, which is progressively activist and decisive
- puts decision-making closest to the action
- is open to change and encourages innovative creativity

## POLICY AND PLANNING

In these complex 1990s, not many multi-million-dollar corporations need to be persuaded about the value of making plans and policies to follow.

At the same time the concept of how government plans for and develops policy is caught up with many difficulties caused by jargon with commonly understood and accepted meaning, past experience which has demonstrated an inability to maintain a consistent approach over the long term, and an unwillingness to dedicate the required resources.

In an article published in the text *Managing Public Programs*, Jerry L. McCaffery characterizes the dilemma as follows:

> From a planning perspective, government seems overly political, short-term, bounded from one election to the next, and vulnerable to interest-group pressures and the need for politicians to do something to get re-elected. As a result, public-sector decisions seem incremental, reactive, and opportunistic. Conversely, administrators tend to characterize strategic planning as unrealistically rational, formalistic, and dominated by lengthy planning documents written by planners who have never faced an operational necessity, a revenue shortfall, or an angry citizen.

Both perspectives exist on P.E.I.

And yet there are compelling reasons to plan, to establish strategic directions, arrive at shared visions, and implement management processes which ensure appropriate programming and evaluation.

## *EVERYBODY KNOWS YOU NEED CHART AND CHANNEL-MARKERS*

People who run organizations don't want to be caught as mere reactors, always having to bend back and forth to fit circumstances. They require the ability to be proactive, to get ahead of the situation, managing it rather than being managed by it. They handle particular cases consistently since they have a general guide rule to follow. They have a clear idea of where they want to go, and where they *don't* want to go.

A clearly seen course, known principles and limits, and a fair process for scrutinizing proposals are positive ideas. True: committing an organization to this kind of chart-following means potentially less freedom for it to react immediately and individually to each special request. But that is actually a preventive advantage, a helpful protector against courses of action which the organization knows it can't afford.

Government, being necessarily more open to public will than most organizations, often finds itself stretched by competing pushes and pulls. How much easier it is to handle the pressures of particular cases if you know ahead of time what you believe, and what is the right direction or method. How much more helpful it is to a health agency, municipality, business or professional group seeking government's favour if they can be shown clearly how their request fits or does not fit with a fair and formally established guideline.

If we need to bite the restraint bullet, how much easier it is to make spending choices if we have already chosen what we really want to accomplish and have a clear set of well-understood priorities. The result is much less risk that we will make the mistake of whittling down to ineffectiveness an activity that really counts.

This is true for departments and agencies who need to know what they believe and where they want to get results. And it is true for the total government, which sets the master framework. All this is fairly commonly known.

And yet here is a forceful theme that has come from virtually all quarters: we have not been putting these ideas into practice very well. The PEI government is being asked to take planning and the policy approach much more seriously. We must take a longer, more general view of things, and set directions deliberately.

### *WE – ALL OF US – NEED TO LOOK AHEAD AND SET DIRECTIONS*

This doesn't mean a zealous return to a 1970s centralization of all thinking, with departments dealing only in procedural details. Departments and agencies, too, need to plan.

Provincial planning needs a variety of perspectives. Government must hear from MLAs and the political grass-roots; from its central overview agencies; from its departments; from direct consultations with external affected parties; from the general public.

We're after a healthy balance of top-down and bottom-up thinking ahead, a system where departments evaluate what they do and plan forward strategically, but do so within the overall goals and policies of the PEI government as a unified whole, consistent among its parts and over time. There's got to be a whole-organization vision.

### *BIG-PICTURE LEADERSHIP*

The Province needs a central body to show the way: a strong active, forward-thinking agency to give us all a coherent overview of what goals, themes and ways of doing things will be good

for PEI in the long run, and to evaluate how all the activities of the pieces are contributing to that.

***DON'T LET DOLLARS CALL ALL THE TUNES***

Government should avoid the trap of *subordinating*, rather than constructively *relating*, its thinking about desirable directions to bottom-line dollar dictates. In the absence of full policy guidance, Treasury Board seems to have been providing most of the direction in charting the major courses government follows. That is not necessarily improper: in fact it is good that proposals were analysed, but it has meant a mainly financial perspective.

Leaders are being asked to be more comprehensively thoughtful. Be decisive, yes, but make decisions in a viewed, more deliberative way; based on a good grounding of rational advice that comes from analytical planning.

***Recommendation***:

***GOVERNMENT SHOULD MAKE A COMMITMENT TO CONSULTATIVE PLANNING, AND SET AS A FIRST PRIORITY THE DEVELOPMENT OF A CORPORATE VISION WITH CLEAR GOALS AND OBJECTIVES***

***Issue***: ***Top-level focus for strategic leadership***

Many people in government feel that strategic planning processes need to be strengthened so that enhanced leadership can be available from the top level of government. The Policy Board is seen as lacking strength. Some indications:

- vague definition of role
- tiny analytical staff capacity
- reactive: studies issues that get referred to it
- role competition and fragmentation among other groups: Treasury Board, DMs, interdepartmental committees, special boards.

The principle is that Cabinet needs objective analysis by skilled and thoughtful people -- staff and politicians -- besides the proponents of the idea under consideration.

***Recommendation***:

***STRENGTHEN POLICY BOARD:***
***MAKE IT GOVERNMENT'S STRATEGIC GUIDE***

*a)* ***Establish it in law (Executive Council Act), with a carefully defined mandate.***

*b)* ***Give it an activist role, with strength to give direction to departments and hold them accountable:***

- ***promoter of ongoing change***
- ***critical analyst of program and policy: needs, goals, methods, pros/cons, impacts, alternatives***
- ***overviewer and stimulator of departmental analysis***
- ***cultivator of the policy approach, the commitment to thinking things out and setting norms, expectations and directions***
- ***planner of government's macro-organization -- what activities are to be performed by which departments or agencies.***

*c)* ***Equip the Board with a team of talented, analytic, and futurist staff.***

*d)* ***Make safeguards for proper use of the Board (and Executive Council):***

- ***Clear statement of criteria and types of issue for referral: what are the sorts of strategic matter that the Board deals with***
- ***A screening gate: to manage the agenda constructively [See recommendation in "Organizational Structure"]***
- ***Chairing by a minister, one at home in policy thinking***

- ***Avoid extra free-standing planning bodies; for special efforts, use ad hoc task groups under Policy Board.***

e) ***Have Executive Council as a whole meet at least several times a year in conference sessions to consider the current big policy issues presented by the Policy Board.***

***Discussion***:

Much of PEI's economic and social development has taken place owing more to trends, happenings and external influences (such as federal funding or media excitements) than as a result of deliberate provincial planning and policy-setting.

In the 1970s -- owing to the impetus of the Development Plan, the infusion of external funding, and a shortage of specialized planning expertise in departments -- PEI did see quite a lot of concerted policy development. Most of it was done centrally, with a comprehensive provincial perspective.

There are plenty of illustrations of major plans or guiding policies that were made in those years: regionalizing services, forging a competent public service, protecting vulnerable children, supporting local recreation, reforming transportation infrastructure, extending rural public utilities, promoting tourism, massively upgrading basic education.

That big-thrust blueprinting faded in the 1980s. There was much less conscious overview planning and more reaction to the immediate situation. And most policy thinking got done by individuals working by themselves in departments/agencies.

Planning and policy-making of a strategic and intersectoral nature has been inadequate despite the fact that the PEI government has had the methods and bodies available: some analytical units (e.g., statistics section of Finance), public consultation mechanisms (e.g., forums, legislative hearings, commissions), Strategic Overview, Policy Board. However, it looks like these have not been well recognized or just not used very well.

There are gaps where a guiding vision has not existed or was not applied across organizational lines to all government activity. Some examples include a fundamental understanding of native status, the proper use of regulatory law, universality vs specially tailored benefits, population strategies, adult education, municipal powers and duties, the future of unemployment insurance, and communications strategies.

Worse, fabricating quick new programs, benefits and rules piecemeal, seeing only our own particular territory or the expedient present, can cause the Province real troubles.

It can look illogical -- as in commissioning a study *after* passing a law on the subject. It can set up embarrassing inconsistencies -- such as inscrutable differences in coverage, rules and fees for similar benefits provided to several groups. It can cause mushrooming of cost -- as when through-the-year 'special-case' Cabinet authorizations get totalled into a department's Status Quo budget. And it can be really regrettable when a good policy has in fact been made, but the agents whose efforts will make it work are not fully informed about it and its rationale.

We need a strong co-ordinating hand at the center. Goals and guides and processes have to be set ... and then followed.

The Policy Board should serve this purpose for Cabinet. It will have three main values. Its future-oriented thinking will stimulate Government's leadership. It will ensure that objective, critical analysis gets done on important issues. And it will reduce Cabinet's workload, as a sub-committee should, by doing the homework outside of Cabinet meetings, distilling things and bring in a sharply focused presentation of the issue.

Special conference meetings of the full Cabinet to consider leading policy topics represent the equivalent of Budget Cabinet. This sort of meeting, as 'Policy Cabinet', impels the collective leadership of the Province to take time for concentrated thought about overall major directions.

***Issue***: ***Regular strategic planning***

The annual Strategic Overview Process established by government four years ago is a good thing, but it has flaws:

- Poor understanding of what strategic thinking is; submissions contain a mixture of ideas and issues, from shifting societal structures to a shortage of office space
- Horizon (this coming year) too short
- Delayed/unclear feedback to departments
- Little follow through use in budgets and action plans
- Not well founded on solid program evaluation
- Yields fragmented departmental directions; misses the inter-sectoral connection because of a lack of a strategic overview for government as a whole.

***Recommendation:***

***IMPROVE THE ANNUAL STRATEGIC PLANNING ROUTINE***

*a)* ***Define it better ... help departments understand 'strategic' (vs operational) issues.***

*b)* ***Stretch the horizon: both short (1-2 yr) and medium (3-5 yr) spans.***

*c)* ***Require program-evaluation evidence for recommendations.***

*d)* ***Faster, more clear-instruction feedback to departments, for incorporation into their planning and budgeting.***

*e)* ***Better integrate Strategic Plan outcomes into budget plans.***

*f)* ***Assign bigger or intersectoral issues which emerge to Policy Board.***

*g)* ***Let Policy Board itself raise issues, goals, policies, trends and environmental conditions for feeding into the annual process.***

***Discussion:***

These are simply adjustments which derive directly from the identified problems. The premise is that we have a basic vehicle for intermediate-term planning, but it will produce much better results if it is deliberately adjusted. Perhaps it even needs a change of name, since it should not really be an "overview" of what exists so much as an Annual Strategic Plan.

Jerry L. McCaffery, in an article included in the text *Managing Public Programs*, concludes after a review of the literature in this field:

> Governments that aspire toward excellence should use strategic planning techniques. Governments faced with great environmental change will benefit from strategic management. Governments faced with severe fiscal constraints may find that program survival depends on the environmental balance part of the strategic management process. Top management must be committed to the strategic management process and to paying its cost, in terms of both dollars and their own time.

Those conclusions are fitting to our own situation.

Thorough training will be necessary to turn this all into action.

***Issue**: Department-level policy and planning is weak.*

- Only about half of departments and agencies have any distinct analytical staff capacity, and that is only a person or two, often with a mixture of duties.
- Planning staff power has been cut in lean times. Any analysis is commonly expected from the operational program managers themselves.
- Analysis is done mostly on operational questions alone; little though goes into wider future-thinking.
- Regional staff and people affected by programs and policies appear to feel left out of planning.

***Recommendation**:*

***MAKE PLANNING (BOTH STRATEGIC AND OPERATIONAL) AND POLICY DEVELOPMENT A WAY OF LIFE IN DEPARTMENTS***

***Discussion**:*

The call to improve central planning by a stronger Policy Board is only half the story.

The other half, beefing-up departmental-level planning makes good sense: to avoid mistakes, inconsistencies and low impact for dollars spent, you think out ahead of time what needs to be done and how it can best be done. Getting things right from the start saves money. It's worth the investment of some analytical staff. Its smart to involve delivery staff and those who need the services.

***Issue**: Little evaluation*

Little attention is paid to evaluation at either department or government levels. There is almost no staff capacity. There is no standard requirement or methodological guide. Cabinet does not seek evidence of probing analysis to help its examination of programs.

***Recommendation**:*

***MAKE PROGRAM EVALUATION A REGULAR THING AT ALL LEVELS***

a) ***Treasury Board should create a system which ensures that evaluation gets done and the results get related to program planning and policy development: that there is a major government policy, explanation of it, standards and guides, and expertise available to departments.***

b) ***Each Deputy Head should be responsible to see that evaluation is done of departmental strategies and programs, and that the results are actually applied: by indicating (in Strategic Plan, Budget notes, Executive Council submissions, etc.) that evaluation has been carried out, and by demonstrating how well the program or proposal contributes to achieving the organization's goals.***

c) ***Treasury Board should be responsible to see that an overview sort of evaluation is done: general provincial directions, inter-agency complementarity, and the compliance of departmental goals and methods with whole-government plans.***

d) ***The Civil Service Commission should provide training in evaluation.***

***Discussion**:*

The squeeze is on. PEI simply cannot afford to do things that are 'nice'. We must continually be analyzing, and doing so in a number of ways, for a number of purposes: can this activity economize? ... is it working well? ... is it really *working* in strategic terms, that is, having a valuable impact in line with overall planning aims? ... is it indeed needed?

This is a natural for tying into the Strategic Plan and Budgeting processes. Why spend money and energies on something that doesn't help you achieve what you really want to have happen?

It is also a good activity for involving both providers and users of our programs: there is much wisdom in both perspectives.

There is no single method or proper agent for evaluation. The provincial policy which Treasury Board develops should give departments clear guidance without spelling out particulars they must follow or evaluators they must use. Evaluations may be done, depending upon the purposes or circumstances, by a central authority such as Treasury Board's own staff or the Auditor General, by external consultant, by inter-agency committee, by a seconded person or temporary assignment, or by a department's own analysts.

Note that this call for a major push into evaluation is something separate from, not a replacement for, the comprehensive audits done by the Auditor General. The two kinds of review may have many methods and uses in common, but they have different emphasis or slants because they have obligations to different audiences.

It is important that the committee's concept be clearly understood. Policy Board's work will ensure clear vision and long term direction. Treasury Board, because program evaluation is related to operational management, should be assigned lead responsibility for its promotion. They should develop a framework within which evaluation must occur, establish standards, and provide a consultative service to line departments and agencies. Policy Board and departments should also, in addition to program evaluation, be committed to continual assessment of policies and patterns of activity. The results of evaluation should be fully available to Policy Board and taken into account in the establishment of government policy and strategic direction.

Finally, evaluation cannot be seen as an isolated activity, but must be understood within the context of assuring quality of service, the evolving process of policy and program development, and the allocation of government's resources.

## Human Resources

It bears repetition: constructive human-resource development must be a stated priority commitment of the PEI government. Employees are the stuff of effective organizations. We want to make them really count. Half of what the Province spends it spends on human resources. That's an investment which merits careful tending.

### *PERSONNEL: WHAT MAKES AN ORGANIZATION TICK*

What is said here is particularly for the operations of government itself (both departments and crown bodies), but is should also apply as much as possible to the wider public sector (hospitals, schools, etc.)

***Issue**: Policy commitment to Human Resources*

The PEI government recognizes how important its employees are to carrying out its responsibilities. At the same time there is value in a formal policy statement which reflects this priority.

Departments, too, have ideas about progressive management of personnel matters -- defining duties and expectations, appraising progress, prescribing improvements and so on. But formal statements and well-though-out policies and processes do not exist to the extent that they should. There is not enough in the way of standards and consistency. The essentials, like review of effectiveness and planning for training and career advancement, are just not happening in a consistent and effective way across government.

***Recommendation:***

***MAKE IT A FORMAL GOVERNMENT POLICY THAT PEI PUTS PRIORITY VALUE ON ITS EMPLOYEES AND REFLECT THAT BY WAY OF A REQUIREMENT THAT EACH DEPARTMENT HAVE A HUMAN RESOURCES PLAN***

***Typical Components of a Human Resources Plan should be as follows:***

***a)*** ***A statement of principles and aims about human resources.***

***b)*** ***A plan of the structural organization, one that reflects the mandate and strategic planning of the department.***

***c)*** ***A descriptive listing of individual units and positions, with purposes or expectations clearly shown in relation to departmental mandates.***

***d)*** ***An identification of staffing requirements, special needs and objectives.***

***e)*** ***A system to ensure regular effectiveness review-and-planning for all employees***

***f)*** ***A plan for staff development and training.***

***g)*** ***A plan for promoting mobility, including succession planning.***

***h)*** ***Policies for involvement of and two-way communication with staff.***

***The Human Resources Plan should be renewed annually and submitted as an integral part of the department's budget.***

***The Civil Service Commission should create a standard framework for Human Resources Plans, provide training and resource expertise to help departments and agencies in their development and implementation, and review all plans on an annual basis as a guide to their own policy and program development.***

***Discussion:***

This is one of the major elements of management: a manager should be held accountable for making personnel systems work and give results. For that you must have a standard by which you can measure achievement. It takes concentrated planning, with statements of policy and process.

For a big organization like our government, with many parts that are very different in character, one particular kind of plan probably won't work. But Government can demand that each of its agencies have a written plan to guide it, one that is done within some broad standards, covers certain elements, and makes up an integrated package, a whole view for good human-resources development. The list of pieces and the bare-minimum standards should be written into a government policy, and a deputy head should be accountable for the development and actual use of such a plan.

Annual submission reflects this sort of accountability. It also promises that planning will be kept current. With the Human Resources element included in a comprehensive way, a department's budget submission becomes a fuller 'operational plan' rather than simply a financial budget.

***Issue:*** ***Planning for employee effectiveness***

The long-standing employee appraisal system just isn't working; it's scarcely being used. The result: our organization is missing one of the most essential tools for improving the person's own capabilities and his or her contribution to making the organization work better.

***Recommendation:***

*DEMAND REGULAR EFFECTIVENESS REVIEW-AND-PLANNING FOR ALL EMPLOYEES*

***The Civil Service Commission should develop requirements and guidelines for a fully new system, provide (mandatory) training for both supervisors and employees mutually to use it, and monitor that it really gets done in departments.***

***Discussion***:

An employer owes its staff ... *all* its staff, even the most senior -- the *regular* - communication of:

(i) what is expected of him or her

(ii) how well the employee is doing at meeting those expectations

(iii) guidance on how to increase effectiveness.

That communication must be a two-way, mutual interchange. Both supervisor and supervised need the right skills and attitude to make it work that way. Employees must not be passive: they must be prompted to assess themselves and the situation in which they work.

Note the term "review-and-planning": the appraisal must look ahead to set out the goals or expectations ... as well as look backward over what has been done as the basis for the next cycle of looking ahead.

Critical appraisal must deal in both positive achievement and constructive observation of shortcomings and need for improvement.

It must yield a continuing record of the person's achievements and professional self-development.

It must produce consequences: reward or remedy, with the means of remedy or personal development clearly planned.

The sensible approach for implementing this renewal is: establish the system policies and processes, do thorough training, start at the top with Deputies doing effectiveness review-and-planning with their senior managers, then spreading it downward through successive levels of supervision.

***Issue**: Continuing workforce development*

Staleness is the concern. Without the continual renewal of in-service training, it is easy for us as employees to become ineffective.

Without renewal, there is risk that the government's program of planning and providing staff development may itself go stale.

***Recommendation**:*

***BOOST STAFF TRAINING AND DEVELOPMENT:***
***MAKE IT REALLY COUNT***

*a)* ***Have the Civil Service Commission write a framework Staff Development Policy -- a concerted plan for new approaches in training and how to make them happen. This should include:***

- ***a credo statement about staff development as a priority.***
- ***policy requirements and incentives to provoke departments, managers and staff generally to commit themselves to renewal through continuing educational development.***
- ***standards and guidelines for departments to assess training requirements and make action plans.***
- ***use of departmental assessments and CSC overview assessments to plan training programs.***
- ***careful linkage of training plans with the strategic direction of government.***
- ***pilot testing as a way to introduce new ideas about and methods of motivation, learning and continuing professional development.***
- ***on-going evaluation of training effectiveness and consequent adaptation.***

b) ***Departments get activist, assuming responsibility (under the comprehensive CSC plan) for their own staff development: evaluate patterns of staff effectiveness, assess specific needs, design and arrange training to fit.***

c) ***Both CSC and departments tap into co-operative measures with other provinces and the wider public sector in PEI (school, hospital, etc.).***

***Discussion:***

Staff development is obviously a key instrument for the overall departmental human-resource plan -- especially for making employee effectiveness review-and-planning yield improvements.

The fluidity of 1990s knowledge and technologies causes real risk of untended talents -- in environmental equipment, diagnostic tests, computerized administration, adult education techniques -- going quickly out-of-date. How can vehicle servicemen, for example, cope with the fundamental shift from mechanical to electronic systems?

It is not realistic to expect the Civil Service Commission by itself to see the changes coming and set out the resultant training needs in a hundred fields. Only those close to the action can do it. But those working in the fields are unlikely to have the expertise in continuing-education planning that the Commission can have.

Both CSC and departments, then, have training responsibilities. The CSC is the central promoter, facilitator, and provider of the more generic training needs (e.g., supervision, planning, writing). The department makes the more distinctive, specialized training plans for its own staff, setting policies, job-specific targets, and budget means to make sure its skills stay current.

There have been some good improvements over recent years. But maybe we're missing out on some good opportunities for creative reform. Perhaps it will be an idea to adapt the Holland College methods of user designed curricular planning. Perhaps there'll be something like

creating three year personal plans to earn skills acquisition points, or to progress along a succession of prescribed courses and experiences to a certificate of enhanced qualification.

Let's have the Commission take a provocative look at training. Let it deliberately think a bit radically and write a comprehensive policy framework for the government on how to pump new blood into the way we do in-service staff renewal. Give us a master plan and a set of methods, and then lay the responsibility on Deputies, within their departmental human-resources plans, to make dynamic training grow.

A special need is to broaden our small scale of training opportunity; by pooling with others who have similar needs.

It is interesting to learn that Australia has, with a view to worldwide economic competition, actually legislated a requirement for an organization to devote 1% of the value of its wages to training.

***Issue:*** ***Staff renewal***

Mobility and career advancement are good for both employee and the organization. It has begun to happen in our public service, but is not very widespread yet.

***Recommendation:***

***THINK CAREER 'RECYCLING' OR SPIRALLING:***
***MAKE STAFF MOBILITY AND RENEWAL HAPPEN***

***Challenge the Civil Service Commission to create a really strong staff-mobility and career-renewal service: to make policies, systems and methods to provide***

***(i) counselling to individuals, and***

***(ii) facilitation to departments: to stimulate movement, within the civil service, and also between it and broader public sector (schools, hospitals, other governments, university and college, etc.), and even the private sector.***

***Challenge managers throughout the system to make it happen, to take a corporate view and allow, indeed encourage, staff with potential to have a range of experience which will enhance their personal growth and their overall contribution to the organization.***

***Discussion:***

Change is critical if you want dynamism in what your organization does. New work gives the employee a taste of challenge and a sense of a broader capacity for achievement. The organization gets new perspectives on how to do a job better, and a staff with wider, multi-purpose skills and understanding.

Think of the effect, for instance, of giving Treasury Board analysts experience in line departments, or departmental planners and managers a rotation through one of the central Boards. The result will be better understanding and relationships between line departments and central agencies, as well as a significantly enhanced staff resource.

PEI's size means limited chances for career advancement or change. It doesn't easily happen by itself; it has to be made to happen by a proactive employer who wants to help its people and itself by stirring the pot and adding some spice.

Mobility has been promoted these past few years. We want to see more. That will take greater openness in departments: target exchanges and turnovers should be part of every department's Human Resource Plan.

***Issue:*** ***Staffing practices***

The government's staffing system seems to work fairly. But there is some concern that it does not always operate as flexibly as it might, and so we miss chances for new-blood skills and imaginativeness.

***Recommendation:***

***TAKE A FRESH LOOK AT***
***RECRUITMENT/STAFFING TECHNIQUES***

*a)* ***Continue to give preference (e.g. using mainly internal competitions) to the advancement of existing employees.***

*b)* ***Re-commit to the principle of hiring on merit, seeking valid qualification to do the job well, for legitimate casual work as well as for permanent positions.***

*c)* ***Establish a competitive process for necessary jobs that have been casual or contract, and allow an incumbent, that is, one who has been filling that job for a significant time on the basis of being suitably qualified, to compete for it as it is made a permanent position.***

*d)* ***Frame qualifications to require real excellence potential, in terms of demonstrated skills and aptitudes necessary for the job, rather than simply demanding unnecessarily high education and experience.***

*e)* ***Use an affirmative action approach, not only to remove artificial barriers (e.g. excessive qualifications) but also actively to create fresh openings and go looking for someone with potential ... so that government employment – in numbers, types and levels of position – comes to reflect the actual population of PEI.***

*f)* ***Use reference checks as a predictive screening technique rather than only as a next-to-last-step.***

***Discussion:***

We continue to believe: objective staffing through fair competition is essential for a healthy and talented public service.

We continue also to believe in the principle of giving existing staff the opportunity for personal career advancement. Skilled people who work their way up are often the best choice to fill an opening. We should always be active in looking for and encouraging people already in our system who show promotion potential.

Even so, we know that there are circumstances where a restricted in-service recruitment is not the simple answer.

- Sometimes a person employed casually is filling a slot well: she or he, though external, should be deemed eligible to compete for it.
- Special skill requirements often make internal filling unrealistic.
- In some cases we want to remedy training and experience requirements that have become artificial or thoughtlessly inflated: that should result in some admission of candidates who may be very talented without having 'served their time' in the system. We should be looking not for old dogs, but for ability to learn new tricks.

For such reasons, we accept that promotion will often not be the method of position-filling. That is a good thing, for infusions of new blood are good for an organization.

This applies, too, to the call for a more affirmative-action approach. We want the public service over time, without compromising the basic quality of service, to have in it the same kinds of people, in roughly the same distribution, as are found in the general population: for fairness, and also because it's good to get a mixture of viewpoints coursing through our system.

As for re-ordering reference checks, talking with previous contacts of applicants should be a time-saving tool to help narrow the field, not a formality after the process has gone through a stage of major selection decisions.

***Issue:*** ***Employment creation in the civil service***

There are operations scattered throughout government to give short-term jobs (and in some cases training) to students, the disabled, Welfare Assistance recipients and chronically underemployed people.

The problem is that departments often get saddled with extra staff for whom there really isn't legitimate work, or with staff attempting to fill critical positions with inadequate skills or capacities. The results: feelings of unease on the part of both permanent and new casual employees, artificial make-work, and a bad public-relations image for government employment.

***Recommendation:***

***ESTABLISH A NEW FREE-STANDING "JOBS UNIT" TO MANAGE GOVERNMENT EMPLOYMENT FOR PURPOSES OF INDIVIDUAL JOB-CREATION/PLACEMENT***

***Discussion***

The use of casual government employment for job-creation purposes is a valid way to help individuals with opportunities for income, skill development and employability. But there is serious risk to quality of government performance and employee morale if that purpose gets mixed up with the main reason for public-service jobs: to provide skilled, dependable service to the organization and the citizens it serves. The answer, hopefully, is separation.

Let departments and the CSC continue to handle the relatively small amount of casual hiring necessary for relief or similar legitimate requirements.

As for employment-to-provide-employment, however, have that done by a semi-independent specialist agency which would focus on development of meaningful work projects and the appropriate placement of workers. Take the activity out of the CSC, Industry, Transportation and Public Works, Health and Social Services, Energy and Forestry, Agriculture.

Let the new Jobs Unit be a central broker:

- planning projects and lining up work opportunities
- registering candidates
- helping MLAs with information and advice
- providing or arranging for basic training
- making appropriate placements with community based organizations
- contracting with government organizations for projects which meet the job creation and training objectives of the unit
- managing projects (or otherwise contracting for management of the work)
- doing the processing of paper and money.

This will take careful implementation planning, with attention, for instance, to CAP cost-sharing and Jobs Strategy matched-spending.

***Issue: Exclusions from union membership***

This is a long-standing issue and the reason for several reports over the years (Simmonds,Revell). PEI is unique. All other Canadian jurisdictions exclude managerial sorts of employees from their public service unions.

The legislation is outmoded in some other respects, and there is an argument that rules on bargaining probably belong in a statute rather than regulations.

***Recommendation:***

***REVAMP COLLECTIVE BARGAINING STRUCTURE AND LEGISLATION – PARTICULARLY FOR EXCLUSIONS FROM UNION MEMBERSHIP***

*a)* ***Treasury Board and UPSE (using various reports as reference) should write criteria and identify positions which appear inappropriate for union membership, involve affected employees, negotiate the exclusions, and set up an association to represent excluded employees.***

*b)* ***A new Public Service Collective Bargaining Act should be prepared for 1993, to replace the existing regulations under the Civil Service Act.***

*c)* ***For the interim, government should now proceed in consultation with U.P.S.E. to exclude those senior supervisory employees who are directly involved in labour-management relations, and pursue representation for them and for existing excluded employees.***

*d)* ***A new administrative system should be created to keep current track of excluded positions and the consequent status of employees.***

***Discussion***:

A number of kinds of employees simply don't fit, or are caused a conflict by their job and their union membership. Persons who are supposed to guide the employer, know its needs and wishes on matters of contract negotiations, to oversee the supervision of its employees, and represent it at a grievance, should not, at the same time, be among the employees in the bargaining unit.

Managers themselves feel under-represented. They say that their interests cannot be well supported by a union committed to serving the overwhelming majority interests of those who are managed.

The legislation itself has some particular problems. Further there is an idea that a statute, rather than regulations, is needed to give the proper substance and protection against expedient tinkering.

Recognizing that it will probably take a considerable amount of time to agree on criteria and all the particular jobs to be excluded, and to develop legislation, an interim step is recommended: make the really obvious exclusions right away. There can be no dispute, for instance, about the director who oversees hundreds of employees in a setting where grievances are not uncommon.

It is also important to remember that there are already a hundred or so existing exclusions -- people who have been doing without any collective-bargaining representation.

***Issue**: Responsibilities for personnel services*

There are several agents who perform various personnel functions: individual departments, CSC, Treasury Board, Finance. Suggestions were made about transferring functions, but perhaps the main need is to make sure that employees (and agents themselves) understand who does what. It is not acceptable that an employee get two or three differing answers to a question on benefits to which she or he is entitled.

***Recommendation**:*

***CLARIFY ROLES IN SEVERAL PERSONNEL-ADMINISTRATION FUNCTIONS***

***a)*** ***Confirm the department/agency as having the prime-responsibility, as the first-contact agent, and the Civil Service Commission as the back-up resource authority, for almost all matters of personnel administration.***

***b)*** ***Recognize Treasury Board as the overseer and adviser to departments (and to C.S.C.) on personnel matters from the Employing Authority perspective, particularly on interpretation of the Collective Agreement.***

***c)*** ***Compensation research: move from CSC to Treasury Board.***

***Discussion:***

A guiding principle in personnel services is that an organization owes its employees 'one-stop-shopping' as much as possible.

The main service-stop is the department. It is the first level dealer with its staff on all things like granting and tallying leave, checking on benefits, arranging employee assistance counselling, appraising performance, planning training, and imposing discipline.

Behind the department, though, is the Civil Service Commission as the authoritative personnel resource, the expert and objectively neutral adviser on rules and rights, to both department and, if need be, the employee.

We believe in the value of the Commission for fairness and balance between the interests of government and its staff. This is the right resource repository for almost all personnel functions.

On the other hand, as an employee has the union, the government needs an expert protagonist for its interests as employer. This is the Treasury Board, with duties to watch out for the long-term effects on managerial authority and the public purse. Here is the resource for a department needing guidance on interpreting employment law, the limits of contractual obligations, and perhaps on disciplinary action which may have complex repercussions.

The only specific transfer of duty being recommended here is compensation research. It is a function directly related to contract negotiation, and so it belongs with Treasury Board rather than the CSC.

It was suggested that classification of positions be similarly transferred, but it seems properly to lie with the neutral Commission.

There was also a suggestion that the administration of employee benefits (pension, LTD, insurance) be shifted from Finance to the CSC where almost all other personnel matters are handled. However, it seems that the vast bulk of staff-time on this is spent tracing and adjusting payroll. At least for now, that means leaving benefit processing where it is. Even so, the 'one-stop-shopping' principle indicates that advice to employees about benefits and arrangements for assistance should best be provided by CSC, calling upon the unit in Finance as necessary.

Here, then, is a summary of personnel functions ...

DEPARTMENT

**Prime contact, adviser and service-provider**

CIVIL SERVICE COMMISSION

**Neutral overseer and resource adviser for personnel rules and rights**

Hiring/staffing
Occup health & safety
Check certain pay transactions
Leave - various types
Explain legislation
Approve serious discipline
Employee assistance
Classification
Human Resource Information system
Training/development
Explain benefits

TREASURY BOARD

**Power of Employing Authority**

Negotiate Collective Agreement inc. leave, benefits, etc.
Compensation research [New]
Advise departments/CSC on Agreement
Employing Authority at grievances, etc

FINANCE

**Payroll management**

include processing dues, bonds and benefits (pension, LTD, group life, etc.)
Oversee management of benefit funds

## FISCAL RESOURCES AND FINANCIAL MANAGEMENT

Financial management means careful attention to

- fiscal goals
- spending
- forecasting
- budget planning
- accounting
- adjusting
- collecting money
- tracking/evaluating
- reporting

***MONEY ISN'T EVERYTHING,***
***BUT IT SURE DOES COUNT.***

Good financial management takes:

* Understanding the context of current conditions and of chosen policy directions, and setting short- and long-term fiscal aims accordingly
* Sticking to fiscal responsibility: recognizing the limits that resources impose, and taking care not to spend more than you've got over the intermediate term (3 - 5 years)
* Continuous effort, not just once-a-year budget writing, using accurate and timely information: knowing what's happening, forecasting, adjusting what you do accordingly
* A keenness for income as well as output: an eye on revenue, on cash flow, on any wealth-generating effects of policies and spending
* A pride in being economical: doing things efficiently, saving a bit
* Competent staff who manage the books professionally, and whose work is valued by the organization
* All-the-players effort: involvement and accountability of not just the central-agency monitors, not just department leaders, not just administrators, not just directors, not just central office ... Everybody who depends on the Province's bank account has a stake in keeping it healthy

* The people's commitment: an informed public who understands where the money comes from and how it's being used ... and forms its expectations accordingly
* A sensible system of checks and balances: recognition that this is public money, which has to be handled with some extra carefulness ... the simplest possible controls, but following strong policy directions, within clear bounds and open to scrutiny

***ALONG THE RIGHT PATHS,***
***WITHIN CLEAR FENCES***
***... A LIGHT REIN***

***Issue:*** ***Strategic budget planning***

Preparation of the Province's annual budget is one of the most important instruments of strategic planning that government uses. It consumes a tremendous amount of effort over close to half a year. And yet the role or purposes of this process are apparently not well understood and not given the right sort of concentration.

Many people have two impressions of it:

(i) It takeS too much work for what is actually accomplished

(ii) It falls short on effectiveness as a planning instrument because it does not relate to or reflect government's other strategic planning very well.

***Recommendation:***

***PUT MORE STRATEGIC PLANNING***
***INTO THE BUDGET PROCESS***

***a) Have Policy Board issue firm guiding directions at the start of the annual process: a framework of policy goals, strategies, priorities for government as a whole and individual departments to follow.***

***b) Use Deputy Heads as a corporate advisory body: studying the fiscal framework, contributing collective observations to Budget Cabinet.***

***c) As the year's fiscal and other strategic goals are set, let the Premier communicate them directly to Deputy Heads.***

d) ***Set global allocations according to deliberately targeted objectives and emphases -- not by across-the-board generalizations. Instead of 'Everybody take 5 percent from travel', make increases and cuts serve strategic plans.***

e) ***Pay more attention to annual examination of revenue-raising status and possibilities (transfers, grants, fees, etc.)***

f) ***Detailed Budgets and New Initiative proposals should be backed up with notes of interpretive analysis: about unusual forces, program evaluations, possibilities for alternative programming or funding shifts, and especially explaining how the proposed budget in practice complies with or reflects strategic planning directions.***

g) ***Introduce a multi-year approach:***

(i) ***have Cabinet issue a set of intermediate term fiscal targets or conditions (e.g. 'Over the next three years, net debt will not be allowed to rise beyond ...')***

(ii) ***require that new programs be proposed with analysis of continuing costs over coming years***

***Discussion:***

It would be a shame to waste effort: whether by doing anything unnecessarily, or by failing to make the work serve the fundamental purpose of budgeting, namely planning the use of fiscal resources in order to let the organization accomplish what you really want it to do.

A perception exists that there is waste in the process, perhaps an unnecessary step or two. It was suggested, for example, that departmental preparation of Status Quo budget calculations and the Detailed Budget are similar and so could be combined. That is not recommended, because in actual fact the two measures are, while parts of an overall process, nonetheless distinct.

The Status Quo is intended to annualize the financial impact of various government decisions, affecting both expenditure and revenue, so as to provide Budget Cabinet with an up-to-date snapshot of the Province's financial bottom line for the coming year, assuming that there would be no new decisions to affect finances. The Status Quo is an important part of the information base required to establish fiscal targets and the global allocations for each

department. It is only after this has been done that a department can proceed to finalize its program priorities and consequently its Detailed Budget. Both steps count.

More important than the suggestion that there are some unnecessary steps is the fact that there are some missing steps: not enough care is being taken to make the annual financial planning a deliberate tool of strategic purpose.

So the idea is this: how can we better impel leaders of government and senior managers to really look ahead and think things through -- and not just make yearly accommodations to financial circumstances? How can we take better care to choose the fiscal paths which will lead our organization along the way to its goals?

One other message has come strongly through: ***a budget must be a firm target to which everyone is committed.*** Once a financial plan has been made for the year, the Province has to stick to it. Certainly there can be flexibility within the overall figures. But it makes a mockery of the ideas of responsibility and accountability and all the work that goes into making the plan if self-discipline fails us and special warrants carry spending off on in unplanned directions.

***Issue:*** ***Centralized control ... vs. Accountability***

Many departmental managers, administrative officers and field staff have complained about all the check-and-balance control steps through which they are forced to put financial transactions. They say that the system is too centralized, control-oriented, and rigid.

Actually it appears that central control is probably not as heavy as complaint indicates. But there is a good deal of superficial token approving, and there is scope for letting people at the departmental level, and in turn the field level, feel a lighter external rein, so long as the principles of accountability for public money are maintained.

*Recommendation:*

***RELOCATE SOME CENTRAL FINANCIAL CONTROLS TO DEPARTMENTS; MOVE ROUTINE MANAGEMENT AWAY FROM CENTRE, DOWN THE LINE***

***Samples:***

*a)* ***Allow Departments to make inter-account and inter-primary transfers in their budget, informing, but not needing approval from, Treasury Board.***

*b)* ***Departments should comparably delegate transfer authority outward and downward to divisions and field offices.***

*c)* ***Let Deputies delegate signing authority for up to $50,000.***

*d)* ***Where during the year restraint has to be applied, give Departments the discretion to select control measures, rather than centrally issuing dictates for across the board clamps (e.g. 'stop travel,' 'No more equipment').***

*Discussion*:

There must be monitoring systems to guard public money, to reduce chances of mistakes or wrong-doing. There must be a framework of norms and evaluation of results to ensure that managers perform well. But these mustn't be just fussy.

Some of government's financial controls have little effect, or even carry disincentive messages. There is small value in demanding a signature of approval that only shows that a piece of paper crossed someone's desk. Rules are wasteful if they just mean going through the motions. Let us tell managers that we expect them to manage without having to peek over their shoulders at everything they do.

There are two footnote conditions to this proposal to shift some controls outward. There is a link with improving localized FIS capacities. Secondly, further decentralization would be risky in a department or agency which did not have highly qualified staff in a position to be able to exercise monitoring and responsible financial control. This report make proposals which address both of these issues.

***Issue**: Most efficient accounting and financial information*

Many of the adjustments in financial controls to allow department managers to act more directly are realizable only if they can be assured detailed and immediate expenditure information. The present accounting system has more latitude in it than is being used by many administrators; however, our FIS does not permit a number of the desired changes.

Much of the huge weight of clerical and paperwork effort derives from 1950s methodologies. Why do we continue to put so much time, of so many people at so many levels, into paying the bills?

*Recommendation:*

***RE-CREATE F.I.S. AND***
***STREAMLINE BILL-PAYING AND ACCOUNTING ROUTINES***

***Redesign the structure, building on present strengths, to have payment and commitment data directly entered by departments, while Accounting Services (besides actual processing of payments) assumes a more indirect audit role.***

***Discussion:***

The reconstruction of FIS is a natural for the early 90s if methods are to be streamlined and managers empowered. Applying on-line computerization to the concept of decentralizing controls means that our government should be able to cut out the wasteful paper-process from

field to department to Finance and Treasury Board. How much simpler to have the departmental authorizer of a purchase enter it, as an immediately reflected commitment, directly into the recording system. How sensible to have not just purchases and payments but also salaries show up as commitments against the year's budgetary plan.

Such practices sound obvious and simple, of course, but they will require a major overhaul of FIS and then a thorough training program.

***Issue**: Taking care of revenues*

We are not paying close enough attention to bringing in the money that we need to put on the services. Many fees are not adjusted on a regular basis, and do not reflect the changing costs of operating services. Many fees have gone for years without any change. Some cost sharing plans bring in the cheque months after it was due. There is little imaginative thinking about new ways of generating income.

***Recommendation:***

*CULTIVATE REVENUE*

a) ***Form a Revenue Management Team (e.g. DM Finance as chair, Treasury Board and Policy Board Secretaries, Comptroller, two members chosen by Deputies) to annually report to Budget Cabinet on the status and prospects for revenue (fees, taxes, federal transfers, other).***

b) ***Have the Comptroller, with the help of a task group, establish clear policies and set up a monitoring plan that will hold departments and agencies accountable for attending to revenue-collecting and cash management.***

c) ***Pay full attention to tapping external sources of funding, both existing ones and possibilities for special purpose grants.***

d) ***Use taxation as an instrument of strategic policy: make incentives, penalties, influences in what taxes are levied and how they are collected, so as to encourage, for instance, wise environmental practices, targeted investments, and the location of economic initiatives.***

***Discussion:***

Financial management is the balancing of income and outflow. Most people in the provincial government are accustomed to thinking in terms of expenditure alone. How much thought has been given, for instance, to something so simple as late payment penalties such as are charged on telephone and electricity bills? Why is such a relatively small amount of staff time assigned to tending the funding schemes (e.g. Equalization, EPF, CAP) of the federal government, our Province's 'biggest account'? Many of us need a nudge to remind us that budget-trimming is only one side of the challenge of scarcer money, and to get us thinking innovatively about cultivating our resources.

***Issue**: A spirit of capable financial management*

It has emerged that many of the complaints against a rigidly heavy-handed "The System" are unwarranted in fact. Even more than the rules themselves, administrators' use of the rules, or reluctance to use a flexible, creative approach, may be what really needs reform.

*Recommendation:*

***PROVOKE ATTITUDINAL CHANGE:***
***GET US WANTING TO BE***
***CREATIVELY SKILLFUL AT FINANCIAL MANAGEMENT***

a) ***Start up a Financial Management Forum: a gathering to involve senior administrative officers of line and central agencies in discussing and advising on operational patterns, issues and projects (e.g. FIS).***

b) ***Evaluate the financial elements of managers' performance, and reward innovative financial management, with feedback, praise, increased responsibility, chances for self-development and career advancement.***

c) ***Create a professional skill-development program: a set of courses and experiences leading to a 'Certificate of Financial Administration'.***

d) ***Invite pilot projects by departments to try out measures of efficiency, budget re-allocation, revenue-raising, etc.***

***Discussion:***

Many of us are frankly dull: we've slipped into the myth that government is by nature stodgy and ponderously bureaucratic.

There are some barriers to free-wheeling managerial creativity. But the further truth is that even our existing systems give us the scope for quite a bit of improvement. Many barriers are more psychological than actual. We could use a change in cultural attitude.

Let's provide opportunity for people with similar duties to share their problems and learn from each other's experiences and discoveries.

Let's hear the message, given out in a number of different ways over time, that our government -- even if it's not the sort of organization that can give out bonuses from the profits -- welcomes and rewards pragmatic efficiency in financial management.

## INTERNAL GOVERNMENT SUPPORT SERVICES

A user survey shows basic satisfaction with government's own infrastructural supports: services like purchasing, mail, building maintenance, IIS, computer services and so on.

But it does indicate considerable room for improvement ... for concentrating energies to aim at excellence.

***TOP-NOTCH***
***INFRA-SERVICE***

***Issue: Consolidating our own support services***

A number of services which are internal instruments to support our organizations operations are scattered in various places across various departments. In most cases the department which 'owns' the service actually has a main mandate in which that support service doesn't readily fit: in any competition for attention, the support service tends to be secondary.

***Recommendation:***

***PUT INTERNAL SUPPORTS TOGETHER IN A NEW "GOVERNMENT SUPPLY AND SERVICES AGENCY"***

***The Agency should include the following services:***

***a) Support Services - Audio-Visual, Queen's Printer, Photo Lab, Mail & Courier, Government Services Library, Island Information Services, Accommodations, Building Maintenance, Insurance and Risk Management***

***b) Data Services - Computer Services, Telecommunications and Records management***

***c) Purchasing/Acquisitions***

***The Agency is not to include Legal Services, Payroll, Archives, Accounting***

***To be headed by a CEO (DM status) responsible to a minister.***

***To serve all departments and agencies of government ... with a mandate to pursue -- through a joint liaison committee -- extension to the broader public sector (schools, post-secondary institutions, hospitals) for at least purchasing.***

***Discussion:***

These services are the basic supports for government's own operations. They are really important; they need to be really effective. It makes good sense to consolidate them to give them an undiluted priority and better co-ordination.

Staff of these various separate units feel at the mercy of demand. Users seem to have little understanding of the practical-reality implications of their calls for service. Too often we have been weak in planning and budgeting properly for the needs in these support areas caused by new or expanded programs.

They all share a single mission -- top-quality support -- and as an integrated unit they can concentrate on that without the competition of other purposes as they now face in their departments. Under single leadership they can be more responsive to needs for change.

If the new agency were to use a notional charge-back system, it might help to make users of the services sensitive to real costs-to-government and work implications of their demands on the agency. This idea should be evaluated.

There may be particular opportunities, especially on the scale of the wider public sector, for impact in purchasing for PEI economic development purposes as interprovincial barriers are lowered, and especially as the Maritimes move toward economic integration.

The question of privatizing some of the services was raised. Initial consideration does not show strong advantages, and it would seem wise to do a good cost-benefit examination before making any move on a particular service.

Some infrastructural services are not being recommended for movement into the new agency.

There is some worry about over-demand for *legal services* by government agencies, and it is possible that this might be better controlled in a distinct new unit. However, legal expertise in a government of our scale just seems to belong more naturally consolidated in the Justice/Attorney-General Department. Perhaps a method of notional billing could be started by Justice to impel departments to be more conscious of their demands for legal opinions. Certainly more work that is considered to be 'legal' could, with better understanding, be done at the departmental level.

Secondly, while Purchasing is to shift, the conclusion has been to leave *Accounting Services* and *Payroll* in Finance, mainly on grounds that these belong with the Comptroller's function. Especially for Accounting, the principle is that checking-up-on disbursements should be kept separate from the purchasing of goods and services (which is being assigned to the new support agency).

No grand prescription is being offered for what level of centralization the new agency should use, at what scale or locus it should exercise its function such as building maintenance or buying supplies.

Sometimes it makes the best sense to do that most locally: a caretaker/handyman for an institution or office block can often make solutions happen months before a provincial specialty service. In other circumstances purchasing or heating repair may be better done by a headquarters operation serving the bigger scale. As a general guide, we lean toward small-scale/local -- doing things as close to the ground as seems to produce good results. But it's going to take careful thinking, examination of all the particular situations, by the leaders of the new Supply & Services Agency to come up with the best implementation plan.

***Note:*** ***The IMPLEMENTATION STRATEGY designed by the Sub-Committee on Government Services is presented in the Implementation section of this report.***

## LEADERSHIP

We want an effective, progressive organization. That will happen best from having imaginative, activist leaders who know clearly what they are about, and how to link it up with other pieces and players in the overall system.

It needs to be stressed: a true leader is more than a manager. A leader is a person who, rather than control, draws people forward and causes effectiveness. He or she thinks out and establishes the right direction and commits to making it happen, creates the right atmosphere, and evokes performance from people -- who in turn feel good about doing their best.

These functions are well summarized by Kouzes and Posner in their challenging book entitled *The Leadership Challenge* when they outline the five leadership practices which are common to successful leaders.

When they were at their personal best, our leaders:

1. Challenged the process (stepped into the unknown, searched for opportunities, took risks).
2. Inspired a shared vision (involved others in looking to the future).
3. Enabled others to act (fostered collaboration and developed human capacity to act independently).
4. Modeled the way (set the example and planned small wins to confirm the direction).
5. Encouraged the heart (recognized individual contributions and celebrated accomplishments).

### *FOCUS THE TOP LEADERSHIP TALENT*

The key axis for leadership in our structure is the Deputy Head. This is the person on whom focuses organizational leadership, policy advice, planning, human-resource commitment, financial planning and governance, plus the launching of special or cross-divisional initiatives.

This is a job with three large aspects: head of the department, certainly, but also analytic policy advisor to the Minister as political leader, and beyond his own department an important contributor to the collective operation of the total government.

The higher toward the top, the more a senior person must act as less the manager alone, and more as true leader. But it is important for our organization to remember that we need the traits of creative leadership not just in Deputies but at various levels throughout the system. And we need all the time to have our eyes open for chances to develop talent.

Let us cultivate leaders who are really good at

- seeing and expressing a vision of the future
- thinking it out and planning the ways to move towards it
- aligning resources to accomplish it
- energizing and guiding a network of people to do the job.

***Issue*: *Defining the Roles of the Deputy Head***

Because of the multiple obligations to a number of masters or constituencies, a Deputy is vulnerable to conflicting pushes and pulls: for example a duty to economize for whole-government fiscal health versus a duty to a Minister representing needy people to mount a new service.

Ministers, from short experience or out of a compelling concern to get things done, may sometimes not be conscious of their proper role, of keeping a distance from the operational management which is the deputy's responsibility. It is not easy for an individual deputy to explain the relative roles.

***Recommendation:***

***DEFINE THE DEPUTY HEAD JOB***

***Adopt a generic description of the role of the PEI Deputy Minister/Agency Head -- as appendicized (Appendix C).***

***A 'MACHINERY OF GOVERNMENT' COURSE***

***Have a 'Machinery of Government' course about jobs, relationships and processes, as a way to orient Deputies, Ministers and MLAs, to clarify roles and reasonable expectations.***

***Discussion***

A deputy finds him or herself accountable, or at least obliged in different ways, to several parties -- Minister, Premier, central government agencies, arms of the Legislature, the department itself, interest groups affected by department actions, and the clients whom the department serves.

The job is very complex. Timothy Plumtre, in a major study of management of government conducted for the Institute for Research on Public Policy, refers to this as the difficulty of "working between two environments with different values and methods of operation." The environments he refers to are the political culture based often on optics and perceptions, and the bureaucratic culture composed of "administrative operations that rely on stability, constancy of purpose and professional, 'rational' analyses of public issues." Many deputy ministers would agree with his view that "the job involves a host of ambiguities."

It makes sense to describe a 'norm', the usual character of relative duties. A major point here is that the Minister deals most importantly with broad stroke political direction; the Deputy should be given the job, and a pretty free rein, to lead its execution.

After consultation with nearly all of the present members of the Senior Compensation Plan, the Steering Committee has evolved a generic view of the role of the P.E.I. Deputy Minister/Agency Head. The description emphasizes the requirement for leadership at that level in the critical roles of

A) leading/managing the department or agency

B) providing policy advice to the minister

C) contributing to the total management of government.

There have also been numerous comments about the need for on-going orientation for deputy ministers and ministers. There is not presently any developed approach, other than learn as you go on the job, which seeks to acquaint ministers and deputy ministers with the nature of their respective roles and responsibilities. Our leaders must learn and think about those things, and must also quickly gain a familiarity with the roles and relationships of, and the processes for making effective use of the central agencies and other parts of the corporate 'machine'.

***Issue***: ***Minister and Deputy: keeping on track together***

Deputies need to know what is expected of their performance, and they need guidance and feedback on how they are doing.

They are not given performance evaluation very much or very well, if at all. It may not be possible, because of job complexities, to have formal evaluations ... deputies.

It is rare and yet critical for Minister and Deputy, the team of leaders of a department, to talk concertedly about what should be accomplished and set a common agenda over an extended period.

***Recommendation:***

***HAVE MINISTER AND DEPUTY TOGETHER MAKE A DEPARTMENT LEADERS' AGENDA: AN ANNUAL (OR MULTI-YEAR) SETTING OF AIMS AND KEY-RESULT ACTIVITIES ... TO BE REVIEWED BY THEM THROUGH THE YEAR***

***Discussion***

This will help set goals and focus efforts for the organization. It should relate to the department's annual Strategic Plan, Budget, and Human Resources Plan.

But it is also a way -- short of formal employee appraisal -- to record expectations of and understandings with a Deputy, and provide a reference standard for regular review of personal progress. It is an instrument for leadership accountability.

Gordon Osbaldeston in his book Keeping Deputy Ministers Accountable quotes one experienced deputy minister whom he interviewed:

> "There is some sort of mythology out there that ministers come in and say 'Here is the policy' and everybody goes marching off to that tune. In actual fact, it is a highly interactive process. That is when you find that the Minister and Deputy Minister make a powerful team. When they don't have that, they get into trouble. They have to understand each other and respect each other, but not necessarily like each other. When you have all that, you have a powerful synergistic relationship."

Your committee believes that such synergism ought to be actively sought through the agenda-setting process.

***Issue**: Deputies' broader corporate role*

A major part of the modern deputy's responsibility is to contribute to total government. Deputies need a whole-organization view, not just the departmental branches but what's going on and what pressures are being faced in the total company. Many PEI deputies say they often feel out of that bigger picture.

There is a recognition among them that the Deputies Forum and the Social and Economic Policy committees are good ideas, but there is some disappointment as to their effectiveness so far.

Few issues today are so simple as to be departmentally contained: we need to foster intersectoral action.

One deputy minister has referred to our seeming propensity to continue building vertical structures, while the real needs cry out for horizontal relationships.

Modern research on management seems to wholeheartedly support this view. Edgar H. Schein, professor of Management at MIT's Sloan School of Management, outlines the trend in a challenging article which concludes that "management as a traditionally conceived, hierarchical function will disappear." While expecting a lot of difficultly in defining the options it is clear the new models will be much more horizontal in nature.

Your committee believes there are three important ways that the P.E.I. government can adapt to these evolving management trends.

***Recommendation:***

***USE DEPUTY/HEADS AS A***
***TOP-MANAGEMENT CORPORATE TEAM***

***Samples:***

- ***Advisory body on fiscal framework for budget process***
- ***Joint Strategic Plan presentations***
- ***Forum: regular meetings to exchange information and ideas***
- ***Task groups on key policy issues as assigned***
- ***Mutual training/professional-development activities***

***Discussion:***

These are methods for getting our executives to pool their knowledge and opinions, to feel a sense of joint responsibility for the government as a whole, and to use an intersectoral approach to complex issues.

***Issue: Leadership for Deputies***

Deputies are leaders and advisors to others. They do not have a comparable leader or mentor to whom they themselves may relate.

The Premier, as appointer and overseer of deputies, may often have need of a senior representative to advise him and act on his behalf.

Deputy ministers are probably the most important single pieces of talent in our organization. And yet we seem to put virtually no deliberately organized effort into scouting, cultivating, and continuing to develop the effectiveness of these senior executives.

***Recommendation:***

***CREATE A 'PRINCIPAL DEPUTY' ROLE***

***Duties:***

***- Acts as chair of deputies in their corporate management team roles***

***- Enhances interdepartmental linkages and relationships***

***- Scouts for potential senior leadership talent and plans actively for its development***

***- Available to advise the Premier on senior appointments***

***- Sees that department leaders' agendas get made***

***- Pays attention to mobility and succession planning***

***- Provides effectiveness review-and-planning for deputies, and sees that their achievements and progress get recognized and recorded***

***- Guides professional self-development for deputy heads***

***Discussion:***

Imagine the Deputy Heads as vice-presidents of a large company. In our government they all have direct individual links vertically to the members of the board of directors, that is to a Minister, but the horizontal relationship and the focus is lacking: in a company the CEO would tie the V-Ps together and be the connection to the board chairman. This exists not only in private companies; the equivalent does happen in the federal government.

The Principal Deputy would be a person who works at creating a bond, a sense of team, among members of the Deputies group. And this would be the main link between Deputies and their ultimate supervisor, the Premier.

We are committed to human resources management: to performance review, career planning, training and continuing professional development for all staff. The senior level of management is not to be ignored. Deputies, too, need opportunity to broaden and hone skills

and refresh themselves with new challenge. And the total organization needs a way to keep a forward-looking, shepherding eye on forming its leadership.

***Issue**: Team managerial style*

Some leaders still, it seems, use a simplistic top-down style of hierarchical direction. It doesn't suit the 90's.

***Recommendation:***

***USE THE MANAGEMENT-TEAM APPROACH: INVOLVE (SUB-DEPUTY) SENIOR STAFF IN DEPARTMENTAL LEADERSHIP***

***Discussion:***

Leadership style is variable, a matter of personal preference, it's true. But modern leaders simply know that team-management structures pay off in terms of both human relations and the organization's effectiveness.

## ORGANIZATIONAL STRUCTURE

People will naturally expect that the reform of government management will cause a great deal of organizational change, adding some pieces, eliminating others, shifting a lot of them around. We know that other initiatives of Government Reform may result in big change of this sort, but here we do not make recommendations about such major re-alignment of departments and agencies.

***CHANGE ...***
***MORE IN WAYS***
***THAN IN SHAPES***

Actually this report is concerned much less with the movement of pieces of government than with approach and behavior, the manner in which the various pieces operate. Most of the messages are about things like planning, creativity, training and performance enhancement.

Even so, the recommendations do mean some reorganizing of the pieces.

The outstanding change is the relocation of more than a dozen internal-support functions from several departments into a newly created Government Supply and Services Agency.

There is to be a new unit for helping people get casual employment. Two new committees are proposed. And a few other shifts of responsibility are recommended.

Here it is at a glance ...

**A Summary of Structural Changes:**

| FROM | FUNCTION | TO |
|---|---|---|
| T & PW | AUDIO-VISUAL | GSS - Govt Supply & Services Agency |
| T & PW | QUEEN'S PRINTER | GSS |
| T & PW | PHOTO LAB | GSS |
| T & PW | MAIL & COURIER | GSS |
| T & PW | TELECOMMUNICATIONS | GSS |
| T & PW | ACCOMMODATIONS | GSS |
| T & PW | BUILDING MAINTENANCE | GSS |
| C & CA | GOVT SERVICES LIBRARY | GSS |
| C & CA | ISLAND INFORMATION | GSS |
| C & CA (Archives) | RECORDS MANAGEMENT | GSS |
| Finance | COMPUTER SERVICES | GSS |
| Finance | PURCHASING/ACQUISITION | GSS |
| Treasury Board | INSURANCE/RISK MGMT | GSS |
| C.S.C. | COMPENSATION RESEARCH | Treasury Board |
| Ind HSS CSC etc. | JOB CREATION/EMPLOYMENT ASST | Jobs Unit |
| - | ANALYTICAL STAFF | Policy Board |
| - | REVENUE MANAGEMENT OVERVIEW | Rev Mgmt Team |
| - | ADVICE ON FINANCIAL MANAGEMENT | Fin Mgmt Forum |
| - | LIAISON/LEADERSHIP OF DEPUTIES | Principal DM |
| | SPECIAL-PURPOSE PLANNING BODIES | Policy Board |
| UPSE | REPRESENTING SENIOR EMPLOYEES | Excl Emp Assoc |

***Issue**: Shaping government's 'organization chart'*

Who is in the best position for the future to plan the overall configuration of the corporation -- what departments and agencies and divisions it is to be arranged into?

***Recommendation:***

***LET PLANNING OF GOVERNMENT'S MACRO-ORGANIZATION -- WHAT ACTIVITIES ARE TO BE PERFORMED BY WHICH DEPARTMENTS/AGENCIES -- BELONG TO POLICY BOARD***

***Discussion:***

The big lines along which government is laid out should be an expression of or instrument for strategic aims and programming. That sort of planning is Policy Board's business. This duty is seen as part of the continual, on-going reform of government which the Reform-of-Government initiatives are starting.

Treasury Board will continue with its role in analyzing and authorizing operational-level organization: divisions, work units and positions.

***Issue**: Central agencies as helpful leaders*

The wide consultation used for this study reveals that there is considerable misunderstanding of what the central government agencies are or should be. There is a fairly common perception that Treasury Board, the Civil Service Commission, Accounting and the rest of Finance are rigid controllers.

This is not completely accurate. There is more potential for departmental flexibility than is assumed. But of course it is what people believe that counts. They see government's structure as a hierarchy in which the central agencies rule the line operations.

***Recommendation:***

***EMPHASIZE THE POSITIVE ROLE OF GOVERNMENT'S CENTRAL AGENCIES: TREASURY BOARD, POLICY BOARD, FINANCE AND C.S.C. LEAD RATHER THAN PUSH AND CONTROL***

**Discussion:**

Wrong though it is in many cases, it is easy for us to blame 'the system' for unreasonable limits on departmental freedom to act. It is a worthwhile project to prune down that myth of arbitrary central control, and encourage departmental staff to take more responsibility and use the latitude which the organizational system offers them.

Let us try to get everyone -- departmental staff and central agency people themselves -- seeing the essential character of the C.S.C., the Treasury and Policy Boards, and Finance as leadership: setting the general strategic sorts of direction, stimulating and supporting departments, monitoring progress and constructively guiding adjustments.

The proper nature of government structure is that line departments and agencies have the primary responsibility for managing the actions they take in fulfilling their duties. Government's central bodies are positive leaders, general policy-makers and facilitators.

This is partly a matter of cultivating an atmosphere and staff attitudes. But it also shows up in a number of concrete ways: who is expected to do specific functions. This report has said that departments and agencies should be much more activist, and the central body should take more of a stimulate-and-support role -- in basic managerial duties: personnel planning; staff training, development, mobility; intermediate-range program planning; program evaluation; revenue management; accounts management.

Both roles are needed. There is an obvious partnership that our organization should cultivate.

***Issue**: Restructuring Central Agencies*

Structural changes are bound to occur throughout government as outcomes of the many initiatives of the government reform process. They are bound in turn to have implications for how our organizations central bodies function and relate to one another -- Treasury Board, Policy Board, the Civil Service Commission, and the Department of Finance.

It was tempting, frankly, for the steering committee to consider possible shifts and consolidations among some of the central offices. Several concepts of a management board, for example, were posed to the Committee. But at this stage, we realized, a reliable conclusion simply cannot be made about the feasibility, let alone the concrete worth, of any restructuring of this sort. So no recommendation is made -- not even for a study. When the various initiatives of Government Reform are complete, there must be careful examination of the appropriate structuring of central agencies, following the rational principles suggested in the implementation section of this report and aimed at ensuring the appropriate blend of policy, control, service, and accountability which underly this report.

***Issue**: Managing Cabinet business positively*

Executive Council and its sub-groups Treasury Board and Policy Board are frequently misused. Departments make end-runs. They allow crises to develop which call for hurry-up decisions. They present issues to the inappropriate body. They furnish poor information, analysis, range of options.

The organizational structure of central Government requires a brokerage or control point to protect against misuse.

***Recommendation:***

***CREATE A STRONG AGENDA-MANAGEMENT GATE TO ENFORCE APPROPRIATE PREPARATION AND ROUTING OF SUBMISSIONS TO CABINET AND ITS BOARDS***

***Discussion:***

The principle is this: Executive Council should never be either

(i) forced to deal unnecessarily with an item that is not really appropriate for its level, or

(ii) pressed into having to made a decision without adequate information and objective, critical analysis.

The simplest instrument for this sort of protection -- apart from the determination and vigilance of Cabinet members themselves -- is a single gate-keeping point, a broker who

- makes sure that routing criteria exist and are fully known
- receives, sorts and directs all submissions
- helps orchestrate the agendas of the bodies
- makes sure that the proper background materials and analyses are provided

The chief gate-keeper is the Clerk of the Executive Council. The Clerk, will, though, have the Secretaries of Policy and Treasury Boards in a sort of troika arrangement.

This need not complicate the standardized routing of matters such as account transfers or appointments to boards.

## CROWN AGENCIES

Crown corporations and commissions are supposed to be a great compromise: allowing a public-interest activity to be conducted without all the ultra-cautious restrictions of direct government operations ... and yet ensuring that it will, because it is a public-interest matter, be done within the general bounds of government overview

***FLEXIBILITY ... WITHIN LIMITS***

It is usually hard to draw exactly where those boundary lines should be in order to foster the right touch of independence with accountability.

***Issue**: Setting degrees of independence*

The relationship of PEI's twenty-or-so crown agencies to the government is murky. The criteria for establishing how closely controlled an agency is to be are quite unclear, and the degree of closeness varies widely from agency to agency.

***Recommendation**:*

***RATIONALLY CLASSIFY THE CROWN AGENCIES BY DEGREES OF CONTROL***

***a) Adopt criteria for determining***

- ***(i) whether an agency or program should be a crown agency (vs. part of a department or privatized)***
- ***(ii) assignment to a category according to degree of control needed (e.g. token only ... medium ... tight)***

***b) Classify agencies accordingly***

***Discussion:***

The principles and practices of accountability -- responsiveness to government direction, audit requirements, financial independence, and status of staff differ among the various bodies, and the reasons are not at all clear.

Why, for instance, would the Crown Buildings Corporation be listed in Schedule C of the *Financial Administration Act* -- supposedly having quite loose independence -- when it is in practice almost an internal government operation? Why is the Occupational Health and Safety Council a crown agency and the Human Rights Commission is not?

There needs to be a standard guide for setting the right degree of government-to-agency closeness.

Some work has already been done by a sub committee team. It deals with criteria such as the types of essential functions performed by agencies, sources of funds, mode of staffing, and the desired amount of autonomy from government. This work should now be completed by a task force with representatives of Policy Board, Treasury Board, and Finance in close consultation with the crown agencies themselves.

This group, with the Legislative Counsel, will have to prepare the required legislative changes. Their aim should be to give effect in law to the criteria and the actual classifications while scrutinizing the separate agency statutes to make sure that the various accountability requirements (powers of the responsible minister, method of appointing directors, submission of plans, auditing and so on) accord with the intent of the new classifications.

***Issue**: Planning and audit: instruments for accountability*

Currently only some of PEI's crown agencies furnish a strategic plan to let the government know what they are about.

All must be audited, but the nature of the audit and the level of information provided varies among crown agencies.

***Recommendation**:*

***REQUIRE PLANNING AND REVIEW IN CROWN AGENCIES, SUBJECT TO GOVERNMENT OVERVIEW***

***Require that each crown agency***

*a)* ***regularly prepare a strategic plan***

*b)* ***have a comprehensive audit conducted by the Auditor General on a cyclical basis***

*c)* ***have their annual audited financial statements meet reporting criteria/standards set by the comptroller with input from Treasury Board and the agency itself***

***Discussion**:*

A government should know, and if necessary be able to influence or direct, the general aims, approaches, and effectiveness of a quasi-governmental board or corporation.

***Issue**: Composition of agency boards*

In some PEI crown organizations there is a risk of too strong power in one place, risk that the agency -- which is set up to reflect an extended or mixed range of provincial interests -- be led by too narrow a point of view.

***Recommendation:***

***DE-CONCENTRATE EXECUTIVE POWER IN THE CROWN AGENCIES***

*a)* ***The Minister responsible should not be Chair of the Board***

*b)* ***Clarify the role of the Deputy Minister on boards***

*c)* ***Separate Chair and CEO positions***

*d)* ***Make solid appointments of skilled and knowledgeable board members***

***Discussion:***

A main reason for the agencies' existence is a degree of arms-length freedom from government control. So too, the question: is a Deputy Minister as board member supposed to have a general-purpose role or be a watchdog representative of the Minister?

In other cases the positions of chair of the board and chief executive officer have been combined, while the usual aim of an organization is to separate and balance the two kinds of leadership.

The best protection against uncritical single-track direction is a strong board of interested people who know the field or know their way around and are good questioners.

***Issue: Consequential legislative adjustment***

A number of the recommendations about more clearly setting rules for crown agencies require adjustments in the legislation that deal with accountability.

***Recommendation:***

***AMEND THE FINANCIAL ADMINISTRATION ACT* TO:***

***a)*** ***set the criteria for classifying agencies by degree of control***

***b)*** ***reflect re-categorization of the agencies***

***c)*** ***define roles/expectations of directors and officers***

***d)*** ***clarify specifically the reporting requirements to government***

***e)*** ***make the F.A.A. paramount over the individual corporation statutes***

## IMPLEMENTATION STRATEGY

It is easier to diagnose difficulties or opportunities, and to give recommendations, than it is to make the things which have been decided actually happen. Government Reform aims at making things truly change, and to achieve that is going to take real care and hard work.

### *PLANNING TO MAKE CHANGE REALLY HAPPEN*

Changes are likely to happen not by decision and decree, but rather by following such principles as:

* **Knowledge ... Understanding ... Consensus** among those who will be affected and whose help will be needed, as to what's to be done
* **Involvement** of those people: creating a corporate sense and a resultant teamwork
* **Full Planning:** a sensible road map and realistic schedule that everyone can follow
* **Whole-action approach:** not dividing things up into priorities of different importances or sequences for the various fields (e.g. first policy than human resources, or leadership before financial, etc.) ... but rather launching changes integrally, in parallel streams of planned action
* **Training** as a must. Recommendations (like making Strategic Plans and Human Resource Plans) call for big changes in processes, skills and attitudes. People will need a lot of help, and that will cost money and care and time.

Two main themes of this report have been the need for sensible plans and the importance of teamwork. Both ideas figure strongly in a strategy for implementation.

***Recommendation:***

***USE TEAMWORK INVOLVEMENT TO CAREFULLY PLAN FOR INTEGRATED IMPLEMENTATION***

***Suggested Outline:***

1. ***Cabinet Committee on Government Reform/Executive Council:***

a) ***Adopt recommendations in principle, noting modifications and giving any particular directions***

b) ***Assign (as in #4) detailed planning of implementation; plans to be subsequently submitted to Executive Council for formal approval***

2. ***Present report to senior management of the provincial government***

3. ***Make the report public***

4. ***Appoint an Implementation Co-ordinating Committee (reporting to the Cabinet Committee Government Reform)***

***Clerk of Executive Council***
***Chairman of Civil Service Comm.***
***Chair: Secretary of Government Reform***

***Secretary of Treasury Board***
***Deputy Minister of Finance***
***Option to add other(s)***

5. ***5 Planning Streams - with teams designed by co-ordinators, involving those who are affected/knowledgeable***

| ***Policy & Planning*** | ***Financial & Crown Corps*** | ***Human Resource*** | ***Govt Supply & Services*** | ***Leadership & any other*** |
|---|---|---|---|---|

6. ***Each team is to produce detailed plans for submission to Executive Council:***

***(a) Immediate: Specifics appropriate for Budget and Legislation in 92 Session***

***(b) Longer term (by April 1): Full extended-period implementation plans***

Plans can follow the example of the Implementation Strategy designed by the Sub-Committee on Government Services: a carefully structured progression along a realistic time-line. It is presented here as a model approach to be applied as much as possible to all the recommendations of this report.

## MODEL

***Implementation Plan for Government Supply & Services Agency***

| | | |
|---|---|---|
| 1. | Acceptance in principle of main recommendations | January, 1992 |
| 2. | Drafting of necessary legislation for new structure and amendments to existing statutes: *Public Purchasing Queens Printer*, etc. | February |
| 3. | Announce intent in Speech from the Throne ... Introduce legislation | Feb/Mar, 1992 |
| 4. | Pass legislation | Apr/May |
| 5. | Designate Minister responsible | May |
| 6. | Select/appoint CEO of the Agency | by June 30 |
| 7. | Planning of detailed organization structure, including identifing directors and other existing personnel to be transferred into the new agency | July-Sept |
| 8. | CEO examine operations of and existing budgets for services within present departments (parallel with activity #7) | July-Oct |
| 9. | Preparation of budget estimates for Agency for 93/94 -- by CEO and directors, working with staff of existing departments to identify financial resources, positions, etc. to be transferred to new agency budget | Oct-Jan 92 93 |
| 10. | Training and orientation workshops for staff of new Agency | Oct-Feb 92 93 |
| 11. | Legislature approval of Agency budget | Mar 93 |
| 12. | Agency becomes fully operational under its own budget | 1 April 1993 |

## CONCLUSION

This has been a tremendous project, a great chance for learning and thinking -- for the Steering Committee, the sub-committees, the hundreds of public servants who chose to get involved.

Even so, it will be so very easy to react negatively to this report. We can think of at least four arguments for thinking that it just won't work.

***'Deja vu - we've seen it all before!'***

Actually, we doubt it has all been seen before, let alone been given a good try. And the deja vu response certainly ignores both the reality of change that has occurred this decade and the evident determination of government to implement meaningful reform.

***'The politicians'll never go for it!'***

Actually, there are probably as many examples of our leaders making tough political choices as there are of good advice apparently not registering. And frankly, most of the good-sense-management proposals in this report also look like the make good politics in terms of 1990's public expectations.

***'Just an attempt at private-sectoring government!'***

Actually, who wants to avoid borrowing good ideas because of their origin? There is a lot our PEI government can learn from other systems, because all such organizations have plenty of common problems and goals -- quality client service, dynamic leadership, orderly management of resources, effective communications, reliable evaluation and so on. But trying to copy too much of what makes private businesses tick would be quite unwise. The fundamental differences are just too great. Government's public-service mission is special.

***'Change costs money -- how're you going to do anything when the Province is having to cut back like crazy?'***

Actually, most of the recommendations are not add-ons but alternative ways of doing things. Granted, a number of them will take a commitment of resources, but in most cases it is a reallocation of staff time and energies.

It is our belief, in fact, that change is all the more important for coping with the dictate of restraint. The very things that this report stresses -- **planning, deliberate policy, training, personnel support, evaluation, revenue management, flexible controls with accountability, innovative leadership** -- these are the developments that make for efficiency and effectiveness, for wise management in tough times.

***SMART MANAGEMENT FOR CHALLENGING TIMES: LET'S GET CRACKING***

Fiscal difficulty, the changed external environment, and firmly expressed political will: this is a potent mix that presents an almost unavoidable opportunity for acting to improve the management of government. It is worth doing. Let us make a good positive start on it now.

**"APPENDIX A"**

# TERMS OF REFERENCE
# FOR THE
# STEERING COMMITTEE
# ON THE
# MANAGEMENT OF GOVERNMENT

**February, 1991**

## TERMS OF REFERENCE FOR THE STEERING COMMITTEE ON THE MANAGEMENT OF GOVERNMENT

### 1. INTRODUCTION

The purpose of the Management of Government Initiative is to analyze the internal functions of government in terms of both a corporate perspective and a long-term perspective with a view to ensuring that government structures, processes and systems at all levels:

- Facilitate, promote and enhance effective leadership and effective management;
- Develop accountability measures that strengthen government planning, management and evaluation;
- Manage quality of service by emphasizing excellence and continuous improvement;
- Evaluate regularly their effectiveness (the extent government is doing the right thing) and efficiency (the extent government is doing the thing right);
- Facilitate, promote and enhance effective communication networks, information sharing, and meaningful involvement of various stakeholders;
- Encourage and support creativity, innovation and risk-taking;
- Nurture a cultural environment that is committed to specific strategies of action: human resource development, economic development and environmental sensitivity;
- Understand, develop and support a corporate attitude that recognizes and capitalizes on linkages, develops and uses effective networks, and ultimately produces and supports a provincial corporate government; and
- Understand and appreciate all facets of government policy: development, compliance, accountability, evaluation, feedback and change.

The Steering Committee for this initiative will submit its draft Management of Government Initiative Framework to the Cabinet Committee on Government Reform by September, 1991, with the final document submission by October, 1991.

## 2. OBJECTIVE AND SCOPE

Using the framework of the Reform Process Methodology Phases Two and Three, with adaptations as required, the objective of the initiative is to review and recommend on each of the following components of Management of Government:

- Human Resource Management
- Planning and Policy Development
- Budget and Finance Management
- Government Services
- Roles of central agencies, line departments and government boards, agencies and commissions
- Standards and practice guidelines for Deputy Ministers; Heads of government boards, agencies and commissions, and board members.

## 3. FACTORS TO BE CONSIDERED

The review and recommendation on each Management of Government component will be based on consideration of, but not limited to, the following factors:

***Mandates*** - Considers the appropriateness of what is being done and by whom.

***Structure*** - Considers the best structure to support provision of services.

***Corporate Perspective*** - Considers the extent to which the service contributes to the overall objectives of government.

***Efficiency*** - Considers the extent to which a service is able to achieve objectives within financial and human resources allocation.

***Effectiveness*** - Considers the extent to which a service is able to produce the desired result.

***Leadership*** - Considers where positions of leadership should be, and to determine structures necessary to provide adequate support.

***Management*** - Considers where positions of management should be, ensuring that they complement and support leadership positions.

***Accountability*** - Considers how and to what extent crown corporations, agencies, departments or individuals are answerable for delivering agreed upon results with agreed upon resources.

***Service Orientation*** - Considers the appropriateness of current service emphasis by contemplating such variables as: short term interests, long term interests, dependency, self-help, incentives, rewards and deterrents.

***Linkages*** - Considers the linkages that might or should exist when clientele, objectives and/or resources are in common with other services.

***Incentives*** - Considers the appropriateness of incentives of part of program policy to stimulate desired action.

***Level of Professional Standards*** - Considers the expectations of product quality and quantity; the existence of measures to implement, control and maintain standards; and, the existence of leaders and managers who can set appropriate examples for fellow employees.

***Services to the Regions*** - Considers the impact on the type, quality and quantity of services required by and provided to the regions.

***Legislation*** - Considers the appropriateness of existing legislative and regulatory provisions.

***Economic Development Opportunities*** - Considers the extent to which all services are opportunities for economic development.

## 4. MECHANISMS TO BE USED

- One-on-one (or group) discussions with central agencies and line department personnel;
- Seek information and advice from sub-committees, Deputy Ministers, and various stakeholders;
- Conduct comparative research; and
- Investigate problem areas and examine innovative solutions and proposals, including options for recommended action.

**"APPENDIX B"**

## MANAGEMENT OF GOVERNMENT SUB-COMMITTEES

### GOVERNMENT SERVICES

Charlie Campbell, Chairperson
John Bruce
Wayne Hooper
Gordon MacKay
Scott Stevens
Janet McGarry, Staff Resource
Janet O'Neill, Resource

### BUDGET AND FINANCE

Verna Bruce, Chairperson
Amand Arsenault
Rob Brandon
Bobby Clow
Al Hogan
George Mason
Carol Mayne
Wendy Platts
Cecil Villard

### PLANNING AND POLICY DEVELOPMENT

Larry MacPherson, Chairperson
Lorne Driscoll
Theresa Mellish
Joe Murphy
Tom Rich
Sandy Simpson
Fred Eberman, Staff Resource
Ron MacNeill, Staff Resource

### HUMAN RESOURCE MANAGEMENT

Howard Jamieson, Chairperson
Susan Birt
Mike Butler
Art Gennis
Colleen Malone
Peter Ramsay
Faye Martin Birt, Staf: Resource

### MANAGEMENT EXCLUSIONS, ROLE OF DEPUTY MINISTER, CROWN CORPORATIONS

Don MacCormac
Lisa Shaffer

"APPENDIX C"

**PROPOSED**

**ROLE AND RESPONSIBILITIES**
**OF THE**
**DEPUTY MINISTER/AGENCY HEAD**

1. **APPOINTMENT**

All Deputy Ministers and Agency Heads are appointed by Order-In-Council upon the recommendation of the Premier. It is to the Premier that all Deputy Heads are ultimately responsible. While there may be statutory reference to individual positions, e.g. Heads of Crown Corporations, such references are, in practice, affected by the Order-In-Council appointment.

2. **GENERAL RESPONSIBILITIES**

The role of the Deputy is to support and advise the Minister, to contribute to the collective management of government, and to manage the Department.

This role requires the Deputy to provide leadership in each of the functions delineated.

3. **SPECIFIC RESPONSIBILITIES**

3.1 ***Advice and Support***

Each Deputy Head is also responsible for providing sound policy advice to the Minister responsible for the department, i.e. to provide policy options and a thorough assessment of their impacts. This enables the Minister to carry out her/his decision-making role.

3.2 ***Collective Management***

Deputy Ministers are responsible to assist Ministers in carrying out their collective responsibilities with respect to Cabinet. This includes:

* Ensuring that the department's policies are consistent with broader governmental goals and policies.
* Observing the government-wide management standards and regulations established by central agencies of government.
* Recognizing that each department/agency, while a separate entity, is part of larger "*corporate body.*" Thus, all Deputy Heads are expected to participate in, and contribute to, activities which improve corporate integration.

3.3 Each Deputy Head is responsible to the Minister for the management and administration of the Department or Agency to which she/he is assigned. This includes a responsibility for:

3.3.1 ***Personnel***

Developing a Human Resource Plan for all personnel. Ensuring that sound personnel management practices are in place; to build a team capable of carrying out the Government's agenda; to provide the leadership required to motivate staff by instilling a commitment to public service and a desire to improve productivity in the delivery of public services.

3.3.2 ***Organization***

Establishing lines of authority and accountability within the organization.

Developing a smooth flow of communications throughout the department/agency, both up and down, so that employees are aware of organizational direction.

3.3.3 ***Policy***

Ensuring that a sound policy development and implementation process exists within the organization.

3.3.4 ***Planning***

Ensuring that an appropriate strategic and operational planning process, both short term and long term, is in place.

3.3.5 ***Legislation***

Assessing the relevance of legislation which has been assigned.

Preparing legislative proposals for the consideration of Executive Council, including both Acts and Regulations.

3.3.6 ***Program***

Ensure that departmental/agency programs are in keeping with objectives, and that new initiatives are developed to better serve/meet public needs.

3.3.7 ***Financial Management***

Ensuring that the appropriate financial administration processes are utilized within the department, and that expenditures are appropriate in terms of economy and probity.

3.3.8 ***Information Systems***

Ensuring that the organization takes advantage of new technologies which can improve operations.

3.3.9 ***External***

Developing an open and positive relationship with the key organizations which represent client interests.

Developing current and productive relationships with federal (and provincial) counterparts so as to anticipate and better interpret federal policies and programs which affect department/agency operations.

4. **PERFORMANCE**

Effective management and administration of the Prince Edward Island public service is dependent on the manner and degree to which Deputy Heads exercise these responsibilities. Thus, a high standard of performance is expected at all times.

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